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Lockyer's Office Provides Data for California AG's Probe of Raters

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By [Jack Herman](#)

The office of California Treasurer Bill Lockyer Monday night said it has provided information on the practices of credit rating agencies to state Attorney General Jerry Brown, whose office is currently investigating how the agencies rated the debt of the state and other related issuers.

"We have provided the attorney general's office information regarding the rating agencies' practices," treasurer's spokesman Tom Dresslar said. "That information includes how the system works, why we think it's unfair to taxpayers ,and how it drains money from taxpayers' pockets."

Lockyer has been one of the rating agencies' most vocal critics, saying they cost issuers by maintaining dual-rating systems that rated municipal issuers lower than corporate issuers with similar or lower rates of default. Lockyer's office will continue to cooperate with the investigation as it moves forward, Dresslar said.

Ambac Financial Group Inc. Monday revealed the existence of the probe in a quarterly filing with the Securities and Exchange Commission. It said it had received a notice dated Oct. 27 asking to "preserve a range of potentially relevant evidence in anticipation of a subpoena to Ambac."

A spokesman from Fitch Ratings said the company is aware of the investigation and cooperating fully. A spokesman from McGraw-Hill Cos., the parent of Standard & Poor's, declined to comment. Moody's Investors Service also declined to comment.

One state has already sued the rating agencies for their policies in rating municipal debt. Connecticut Attorney General Richard Blumenthal in May filed lawsuits against McGraw-Hill, Moody's Corp., and Fitch Inc., saying the dual rating system cost issuers millions of dollars in higher interest costs and bond insurance premiums.

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